

**CITY OF DECATUR CITY**

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD  
APRIL 1, 2015 THROUGH MARCH 31, 2016**

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## City of Decatur City

### Officials

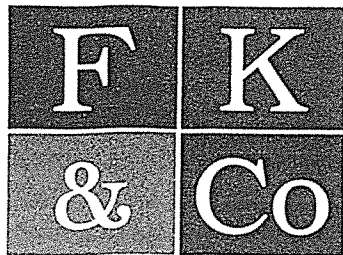
#### (Before January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Travis Miller	Mayor	Jan 2016
Dennis Smith	Council Member	Jan 2016
Gary Keller	Council Member	Jan 2016
Janet Jelsma	Council Member	Jan 2016
Amy Norman	Council Member	Jan 2016
Rusty Kernen	Council Member	Jan 2016
Mary Frisbie	City Clerk	Indefinite

#### (After January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Travis Miller	Mayor	Jan 2018
Dennis Smith	Council Member	Jan 2018
Gary Keller	Council Member	Jan 2018
Janet Jelsma	Council Member	Jan 2018
Arnold Norman	Council Member	Jan 2018
Andy Ness	Council Member	Jan 2018
Mary Frisbie	City Clerk	Indefinite

City of Decatur City



**FALLER, KINCHELOE & CO, PLC**

**Certified Public Accountants**

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor  
and Members of City Council:

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Decatur City for the period April 1, 2015 through March 31, 2016. The City of Decatur City's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.

5. We reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2015 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
10. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
11. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
12. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

These agreed upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of Decatur City, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Decatur City and other parties to whom the City of Decatur City may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Decatur City during the course of our agreed-upon procedures. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Faller, Kincheloe & Co, PLC*

Faller, Kincheloe & Co, PLC

Des Moines, Iowa  
July 29, 2016

## Detailed Recommendations



## CITY OF DECATUR CITY

### DETAILED RECOMMENDATIONS

For the period April 1, 2015 through March 31, 2016

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

1. Cash – handling, reconciling and recording.
2. Investing – recordkeeping, investing, custody or investments and reconciling earnings.
3. Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
4. Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
5. Payroll – recordkeeping, preparation and distribution.
6. Utilities – billing, collecting, depositing and posting.
7. Financial reporting – preparing and reconciling.
8. Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) Reconciliation of Utility Billings, Collections and Delinquent Accounts - Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliations and monitor delinquent accounts. The reviews should be documented by signing or initialing and dating the reconciliations.

- (C) Deposits and Investments – The City has not adopted an official investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, a resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

## CITY OF DECATUR CITY

### DETAILED RECOMMENDATIONS

For the period April 1, 2015 through March 31, 2016

Recommendation – The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

- (D) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check.

Recommendation – The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

- (E) Certified Budget – The fiscal year 2016 budget was not passed by resolution as required by Chapter 384.16 of the Code of Iowa.

Recommendation – The City's budget should be passed by resolution as required by Chapter 384.16 of the Code of Iowa.

- (F) Payroll/1099-Misc. Forms – The City Clerk's salary was not documented in the City Council minutes. Instead the City Council minutes indicated that the City Clerk received a raise. In addition, some of the City Clerk's compensation is not recorded as payroll, and as a result, applicable payroll taxes and wages are not being remitted and reported to the Internal Revenue Service (IRS) as required.

Instances were noted where IRS 1099-Misc. forms were not issued as required.

Recommendation – Salaries of employees should be documented in the City Council minutes. In addition, all wages paid should be recorded as payroll, with applicable taxes and wages remitted and reported to the IRS as required. Also, procedures should be established to ensure the City files IRS 1099-Misc. Forms when applicable.

- (G) Monthly Clerk's Report – The monthly City Clerk's Report provided to the City Council for review does not include a comparison of total disbursements for all funds to the certified budget by function.

## CITY OF DECATUR CITY

### DETAILED RECOMMENDATIONS

For the period April 1, 2015 through March 31, 2016

Recommendation – To provide better control over budgeted disbursements, the City Clerk's monthly financial reports to the City Council should include a comparison of total disbursements for all funds to the certified budget by function.

- (H) City Council Minutes – Chapter 372.13(6) of the Code of Iowa requires the posting of all City Council proceedings to include total disbursements from each fund, a summary of all receipts and a list of approved claims. We noted that these requirements were not met by the City for all of the meetings tested. In addition, the meeting minutes were not signed as required by Chapter 380.7 of the Code of Iowa.

Recommendation – The City should comply with the Code of Iowa and post total disbursements from each fund, summary of all receipts and the list of approved claims as required. In addition, all minutes should be signed by the City Clerk as required.

- (I) Public Notices – The City has permanently designated by ordinance three public places in the City for posting of public notices, as required by Chapter 362.3 and 372.13(6) of the Code of Iowa. However, while the City posts public notices in three places, only one of the posting places is described in the ordinance. Two of the posting places described in the ordinance are no longer used.

Recommendation – The City should implement procedures to ensure that three public places are set by ordinance and actually used for postings of public notices, as required by Chapter 362.3 and 372.13(6) of the Code of Iowa.

- (J) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City's Annual Financial Report contain a "summary for the preceding fiscal year of all collections and receipts, all accounts due the city, and all expenditures..." The City's Annual Financial Report reported receipts, disbursements and fund balances which do not agree to the City's records.

Recommendation – The City should ensure future Annual Financial Reports agree to the City's records.

- (K) Chart of Accounts – The City has not fully implemented the recommended Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee.

Recommendation – To provide better financial information and control, the recommended COA, or its equivalent, should be followed.

## CITY OF DECATUR CITY

### DETAILED RECOMMENDATIONS

For the period April 1, 2015 through March 31, 2016

- (L) Local Option Sales Tax (LOST) – The City imposed a local option sales tax in the City with receipts to be allocated as follows: 20% for public safety, 50% for home and community environment, 20% for economic and housing development, and 10% for human development. Documentation has not been maintained to demonstrate the LOST receipts were spent in accordance with the provisions of the referendum authorizing the collection of the tax.

Recommendation – The City should maintain documentation to demonstrate local option sales tax collections are disbursed in compliance with the provisions of the LOST referendum.

- (M) Insurance Property Tax Levy – The City levies property taxes for liability insurance purposes pursuant to Chapter 384.12(17) of the Code of Iowa. For fiscal year 2015, the property tax levied for liability insurance purposes was \$5,000. Liability insurance premiums totaled \$3,404 in fiscal year 2015, indicating excess property tax was levied for this purpose.

Recommendation – In the future, the property tax levy should be reduced to the estimated disbursements for liability insurance purposes. Amounts collected in excess of the allowed costs should be taken into account when setting the subsequent liability insurance levy.

- (N) Disbursements – The City Council approves several disbursements at each monthly meeting after the invoices have been paid. There is no written policy which documents the types of invoices that can be paid prior to City Council approval.

An instance was noted in which no documentation could be located for a mileage reimbursement of \$16.80.

Recommendation - The City could adopt a written disbursement policy to allow payment of certain bills prior to City Council approval. All City disbursements should be approved by the City Council prior to disbursement with the exception of those specifically allowed by policy. In addition, procedures should be implemented to ensure supporting documentation is obtained and retained prior to the payment of all claims.